

Revised due to adoption of amendments on General File.

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS	\$1,797,999		\$1,576,853	
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$1,797,999</b>		<b>\$1,576,853</b>	

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 559, as amended by AM2525, amends the Employment Security Law to create the short-term compensation program.

Short-term compensation is defined as unemployment benefits paid to eligible employees in an affected unit under an approved plan, as distinguished from unemployment benefits otherwise payable under the Employment Security Law. An affected unit is a specified plant, department, shift, or other definable unit including three or more employees.

A short-term compensation plan is one in which an employer requests the payment of short-term compensation to workers in an affected unit in order to avert layoffs. The plan must be approved by the Commissioner of Labor and must specify the affected unit, number of full-time or part-time employees in the unit, percentage of employees in the unit covered by the plan, identification of each employee along with their social security number, and the employer's unemployment tax account number.

The plan must also include a description of how employees will be informed of the employer's participation in a short-term compensation plan; the number of usual weekly hours for employees in the affected unit; certification by the employer that if health and retirement benefits are provided by the employer that they will continue to be provided to those employees participating in the plan; certification by the employer that the reduction in work hours is in lieu of layoffs and an estimate of the number of employees who would have been laid off absent the plan; certification that the plan shall not serve as a subsidy of seasonal employment during the off-season, nor of temporary or intermittent employment; certification that the employer has obtained approval by any applicable collective bargaining unit; and certification that the employer will not hire additional staff while the plan is in effect.

The bill also provides responsibilities for the Labor Commissioner; provides details regarding revocation of the plan; periodic review of the plan; modification of the plan; and employee eligibility, responsibilities and requirements.

The bill, as amended, prohibits the Nebraska Department of Labor from using state General Funds to implement the short-time compensation program and requires the Department to use any and all available federal funds to implement the program including funds distributed to the state under sections 903(c), 903(d), 903(f), and 903(g) of the Social Security Act; funds commonly known as Reed Act funds.

The bill, as amended, becomes operative on October 1, 2016.

The Department of Labor indicates that they currently do not track the type of information necessary to base a cost estimate solely on Nebraska experience. The state of Missouri has a program similar to that proposed by LB 559 and the Department has examined Missouri's experience and extrapolated the potential costs.

The estimated costs for FY2014-15 is \$1,797,999 and for FY2015-16 is \$1,576,853. This includes Office of the CIO contractor costs of \$737,657 for FY14-15 and \$629,154 in FY15-16.

We have no basis to disagree with the Department of Labor's estimate of fiscal impact.

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2014

LB<sup>(1)</sup> 559 Amended

FISCAL  
NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Department of Labor

Prepared by: <sup>(3)</sup> Debbie Kay Ward Date Prepared: <sup>(4)</sup> 03/20/2014 Phone: <sup>(5)</sup> 402-471-2492

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$1,797,999</u>	<u>                    </u>	<u>\$1,576,853</u>	<u>                    </u>
CASH FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>\$10,413,000</u>	<u>                    </u>
OTHER FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUNDS	<u><u>\$1,797,999</u></u>	<u><u>                    </u></u>	<u><u>\$11,989,853</u></u>	<u><u>                    </u></u>

Explanation of Estimate: **This amended fiscal note for LB 559 is based upon an October 1, 2016 effective date. The current bill does not have a stated effective date. It is the position of the department of Labor that it is not possible to implement this program within 90 days after its passage.**

The Department of Labor is submitting an amended fiscal note for LB 559 as originally submitted, assuming an effective date of October 1, 2016, because the original fiscal note was in error. The Department incorrectly included the cost to build the LB 559 program as federal funds. The Department should have included these costs as general funds. Additionally the Department has reviewed its estimate of costs to build the LB 559 program and the costs shown on this amended fiscal note are a more accurate estimate of the cost to build this program.

Nebraska does not currently track the type of information necessary to base a cost estimate solely on Nebraska experience. The state of Missouri has a program similar to the proposal in LB 559. Based upon Missouri's experience, it is estimated that up to 250 employers will submit short time compensation applications for approval and 8,010 short time compensation claims will be filed. The short time compensation program lends itself best to larger employers with employees on the higher end of the wage scale in the health care, construction, and manufacturing fields. These individuals tend to be eligible for the maximum weekly benefit amount of \$372 per week.

A significant number of workers will potentially be eligible to draw benefits under the short time compensation plan that are not eligible to draw benefits now because their wage even at the reduced hour level still exceeds the maximum weekly benefit amount. In addition, the short time compensation individual would draw less unemployment benefits than if laid off from all work, the short time compensation program presumes that multiple employees will be claiming partial benefits at the same time and the cumulative effect of multiple people drawing partial benefits will result in more benefits being paid than in the case of a single individual drawing benefits.

The net anticipated cost to the Unemployment Trust Fund is \$10,413,000. The estimated cost for year two is \$11,989,853, which includes the estimated benefits paid. The start-up costs are estimated at \$1,139,111 for salaries and \$391,662 for Benefits. Operating expense includes OCIO contractor costs of \$737,657 in FY 14-15 and \$629,154 in FY 15-16. At this point, USDOL will no longer reimburse for benefit payments. Short time compensation benefits will become chargeable to Nebraska Employer's experience accounts the same as other benefit claims. This could have an impact on Nebraska taxes by employers.

NDOL realizes that full utilization will not occur but there is no history that allows for a better determination. Second year utilization is certainly expected to experience a decline.

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**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

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**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u> <u>EXPENDITURES</u>	<u>2015-16</u> <u>EXPENDITURES</u>
	<u>14-15</u>	<u>15-16</u>		
UI Program Supervisor	1.5	1.5	84,880	64,843
UI Team Supervisor	1.0	1.0	43,163	32,974
Adjudicators	5.0	5.0	170,403	130,177
Claims Specialist	0.0	2.0		45,511
Total Salaries			\$298,446	\$273,505
Benefits			\$103,620	\$96,458
Operating			\$1,387,599	\$1,199,171
Travel				
Capital Outlay			\$8,334	\$7,719
UI Benefits				\$10,413,000
Total			\$1,797,999	\$11,989,853